



RESEARCH REPORT

Catalog number	98-005
Date:	December 3, 1997
Subject:	Charging Municipalities Fees for Public Health Services
To:	David R. Smith, County Administrative Officer
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Issue:

Could the municipalities within Maricopa County be assessed for the cost of providing Public Health Care services to their residents and what is the best method of assessment?

Background:

Currently, Maricopa County does not charge incorporated municipalities for the use of Public Health Services. However, many other counties within the state of Arizona do charge their cities and towns for the use of such services.

In the *Lake Havasu City* Case, the Arizona Court of Appeals stated that “public health services” are not the responsibility of the governing county. This includes the provision of health care maintenance and the indigent population. Furthermore, the *Lake Havasu City* case defined a list of “public health services”, encompassing, but not limited to:

1. **Communicable Disease Control**
2. **Family Planning**
3. **Immunization**
4. **Tuberculosis Control**
5. **WIC Food Supplement Program**
6. **Swimming Pool Inspection**
7. **Animal Control Devices.**

Currently, Maricopa County Rabies and Animal Control charges cities and towns for the use of its services. However, Maricopa County does not assess a share of costs for services provided by the Public Health and Environmental Services Departments. Since it is apparent that municipalities are being charged for some public health services, it would be financially responsible and beneficial for the County to charge its cities and towns as stated by law.

In turn, state statutes provide certain responsibilities to both cities and counties to pay for the use of public health services. Referring to *Lake Havasu City v. Mohave County*,

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138 Ariz 552, 675 P. 2d 1371 (App. 1983), the Arizona Court of Appeals held in pertinent part:

"We conclude that the County is not required to provide the contested health services to the City and if it does, it may lawfully charge the City for those services."

The FY 1997-98 general fund budget for Public Health is \$4,651,153. Furthermore, cities and towns are responsible for Vector Control Services (via Environmental Services) which has a current budget of \$453,115. Additionally, \$311,748 is the total central services overhead allocation for the year ending June 30, 1998.

	Direct Cost	Estimated Central Services Overhead	Total
Public Health Budget	\$4,651,153	\$300,000	\$4,951,153
Environmental Services (Vector Control)	453,115	11,748	464,863
Total	\$5,104,268	\$311,748	\$5,416,016

Maricopa County has maintained a 40-year-old Public Health Service agreement with the City of Phoenix. Since 1957, Maricopa County has been responsible for providing public health services to the City of Phoenix (FY's 57-58 & 58-59--contribution provided by the City of Phoenix). The responsibilities from this consolidated agreement requires the Maricopa County Health Department to provide the following services within the City limits:

- 1. Immunizations and Communicable Disease Control**
- 2. Health Education**
- 3. Maternal and Child Health Care (including prenatal care)**
- 4. Development and Implementation of an Environmental Sanitation Program (Following U.S. acceptable standards).**

In retrospect, Maricopa County's 1957 agreement with the City of Phoenix probably expedited a sound and immediate solution to the provision of public health services. However, the agreement made over 40-years-ago does not necessarily coincide with the present needs and demands of the City of Phoenix. Consequently, the City's population has increased considerably in the past four decades, making it fiscally unrealistic for the County to absorb the cost of public health services rendered by its cities and towns.

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Discussion:

If Maricopa County decided to assess the cities and towns for the use of public health services, what is the best method of assessment? Two general options are a **per capita** and **activity-based** allocation methods.

A. Per Capita Allocation:

In 1996, the Maricopa County Office of Management and Budget conducted a survey, finding that at least five of 15 Arizona counties are charging their municipalities for the use of public health services. The most common form of billing is the charging of incorporated cities on a per capita basis. The following chart indicates the Arizona County responses from the OMB survey:

<u>Item</u>	<u>Per Capita</u>	<u>User Fee</u>	<u>No Charge</u>
Apache			X
Cochise			X
Coconino	X		
Gila	X		
Graham			X
Greenlee			X
La Paz			X
Maricopa			X
Mohave	X		
Navajo			X
Pima			X
Pinal			X
Santa Cruz		X	
Yavapi	X		
Yuma	X		

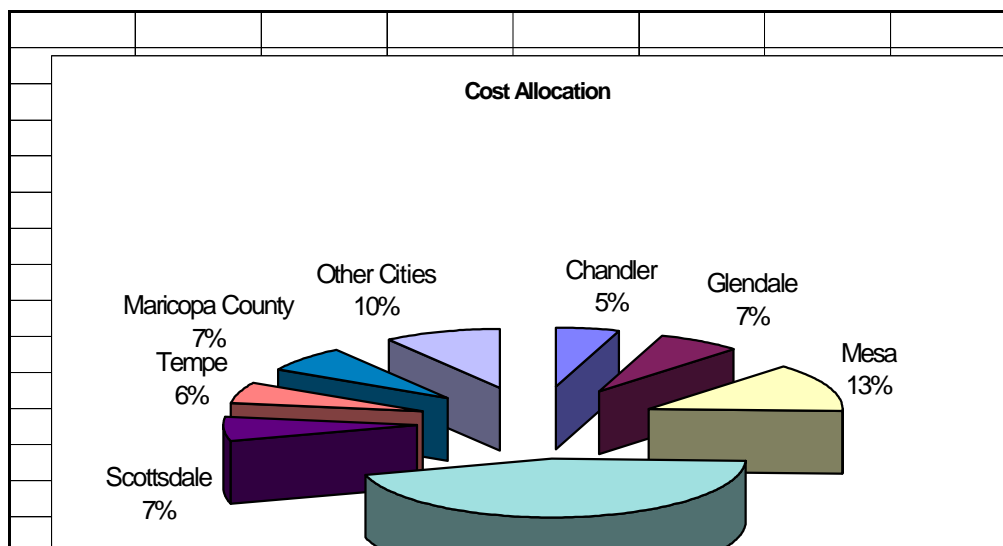
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Referring to the table below, the following data indicates the total distribution of population by Maricopa County incorporated and unincorporated municipalities. In turn, there are 27 incorporated cities represented within the County, while the City of Phoenix represents 45 percent of its total population. Again, such data indicates the potential for decreasing the amount of total public health service expenditures incurred by the County. Respectively, this allows municipalities to share the burden of total costs based on their given populations.

<u>Incorporated Municipalities</u>	<u>Population</u>	<u>Percentage</u>	<u>Allocation</u>
Avondale	22,772	0.89%	\$ 48,276
Buckeye	4,853	0.19%	10,288
Carefree	2,286	0.09%	4,846
Cavecreek	3,076	0.12%	6,521
Chandler	132,360	5.18%	280,599
El Mirage	5,741	0.22%	12,171
Fountain Hills	17,146	0.67%	36,349
Gila Bend	1,724	0.07%	3,655
Gila River	2,648	0.10%	5,614
Gilbert	59,338	2.32%	125,795
Glendale	182,618	7.15%	387,144
Goodyear	9,250	0.36%	19,610
Guadalupe	5,369	0.21%	11,382
Litchfield Park	3,739	0.15%	7,927
Mesa	338,117	13.23%	716,797
Paradise Valley	12,448	0.49%	26,389
Peoria	74,565	2.92%	158,075
Phoenix	1,149,417	44.99%	2,436,725
Queen Creek	3,072	0.12%	6,513
Scottsdale	168,176	6.58%	356,527
Surprise	10,737	0.42%	22,762
Tempe	153,821	6.02%	326,095
Tolleson	4,261	0.17%	9,033
Wickenburg	4,765	0.19%	10,102
Youngtown	2694	0.11%	5,711
Subtotal:	2,374,993	92.96%	\$ 5,034,905
Unincorporated Areas:	179,772	7.04%	\$ 381,111
Total:	2,554,765	100%	\$ 5,416,016

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The following chart indicates the total distribution of cost by Maricopa County and its incorporated cities and towns.



Advantages:

1. Easy to administer and implement.

The per capita method is easy to administer and implement because allocation of costs are solely and equitably determined based on municipality population. Moreover, this is supported by the ease of canceling any existing intergovernmental agreements and the potential costs that may be incurred by measuring the precise value of specific health services delivered.

2. Regional Benefits.

For example, **City A** may have a particular population or area that is characteristic for contracting venereal diseases. Consequently, this area in question may have a need for the availability of public health services, recognizing that city as a strong candidate for payment of such services.

However, **City B** does not have a history for widespread venereal diseases within its jurisdiction. The common argument or response to this scenario may be, why should our city be responsible for the public health problems of another city? The solution is easily recognized. Diseases do not pay attention to city limits. They can spread very easily from one town or city to another.

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In turn, Maricopa County Public Health Services are the responsibility for all its incorporated municipalities. It protects the health, welfare and quality of life of all its citizens..

Disadvantages:

1. May not reflect services actually provided to citizens.

Since municipalities are responsible for costs based primarily on population, actual benefits to its respective citizens will not be determined. For example, specific family outreach services may be required more in one municipality than in another. In turn, the benefits of specific public health services towards individual cities and towns may not be easily recognized.

B. Activity-Based Allocation:

To recover expenditures from the general fund, a fee for specific- activity-based public health services may be used as a working method. However, the County does not currently possess a costing model to help determine the overall effectiveness of an activity-based allocation method. Furthermore, this practice would require extensive research, planning, and administrative support, ensuring that delivery of services is expedited properly by the most probable agencies under the Public Health Services umbrella.

The following indicates the breakdown for delivery of Public Health Services:

Four Major Divisions:

- 1. Epidemiology & Data Services**
- 2. Community Health Services**
- 3. Preventive Medical Health Services**
- 4. Rabies/ Animal Control**

Note: Within each major division there are many different programs and services. For example, Community Health Services include:

- 1. Health Education**
- 2. Nursing**
- 3. Immunizations**
- 4. Nutrition**
- 5. Family Health Services**
- 6. Outreach Services**
- 7. Oral Health Services**

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Advantages:

1. Reflects specific activities towards citizens.

This method will allow the County to measure the precise value of specific health services delivered.

Disadvantages:

1. Requires extensive research, planning and administrative support.

First, a user fee study would have to be developed to determine the overall cost effectiveness of an activity based allocation method. Second, a comprehensive plan would have to be developed to ensure that each municipality is paying the precise value of specific public health services delivered. Finally, sufficient administrative support will have to be allocated to ensure proper maintenance of specific public health services delivered.

Recommendation(s):

The Office of Management and Budget recommends the following:

1. Cancel the forty-year-old intergovernmental agreement with the City of Phoenix. Then institute an immediate course of action that charges municipalities for the use of public health services on a per capita basis. In the short-term, this action will certainly help the County recover a large portion of public health expenditures, considering that cities and towns represents 93 percent of the population in Maricopa County.
2. Notify Maricopa County municipalities that they will be charged for public health services beginning FY 98-99.
3. Consider phasing in assessments over several years in order to allow cities and towns sufficient time to absorb the cost.